



# Australian Bureau of Statistics

## **1351.0.55.035 - Research Paper: Competition, Innovation and Productivity in Australian Businesses, Sep 2011**

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## Summary

### About this Release

This paper investigates two important relationships relating to firm behaviour and performance using econometric methods. First, the relationship between product market competition and innovation is examined, and then the association between innovation and productivity is separately investigated. Data from the Australian Bureau of Statistics' Business Longitudinal Database are used in the analysis. Cross-sectional modelling is employed to investigate the association between competition and innovation, with further models exploring the link between innovation and productivity. For every measure of competition considered except one, the results of the modelling are consistent with an anti-Schumpeterian relationship between competition and innovation – that is, firms appear more likely to innovate if they face stronger competition. The results examining the relationship between innovation and productivity, although weaker than those between competition and innovation, suggest that innovation is associated with better productivity outcomes.

The research reported in this paper was conducted jointly by staff from the Australian Bureau of Statistics and the Productivity Commission.

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